

## Message Text

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ACTION EUR-25

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S E C R E T USNATO 5447

E.O. 11652: GDS 12-31-81  
TAGS: MCAP, NATO, CA  
SUBJ: DRC MULTILATERAL EXAMINATION - CANADA

REFS: A. OTTAWA 2664; B. USNATO 5357

SUMMARY. DRC ON NOVEMBER 9 REVIEWED 1974-1978 CANADIAN FORCE PLANS AS PRESENTED IN CANADIAN REPLY TO DPQ(73). CHAIRMAN (HUMPHREYS) CITED ADOPTION OF NEW 5YEAR DEFENSE FINANCING FORMULA AS MOST STRIKING FEATURE OF CANADIAN REPLY. WHILE ANNUAL 7 PERCENT MONETARY INCREASE IN DEFENSE SPENDING WAS FAVORABLY CHARACTERIZED BY CHAIRMAN, HE POINTED OUT THAT CANADIAN CONTRIBUTION TO ALLIANCE REMAINED LESS THAN RESOURCE BASE AND GROWTH IN GNP MIGHT ALLOW. END SUMMARY.

1. DEFENSE SPENDING. DURING NOVEMBER 9 DRC REVIEW OF CANDIAN REPLY TO DPQ(73), CHAIRMAN OUTLINED STEADY DECREASE IN RECENT YEARS OF PERCENTAGE OF CANDIAN GNP DEVOTED TO DEFENSE. CHAIRMAN FURTHER CITED ADVERSE IMPACT ON ALLIANCE OF CANADIAN DECISIONS IN RECENT YEARS TO RELOCATE PERSONNEL FROM CENTRAL REGION, DOWNGRADE ROLE OF CANDIAN AIRFORCE AND "ADJUST" CAPABILITIES OF CANADIAN NAVY.

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NUMEROUS QUESTIONS WERE RAISED ABOUT AMOUNT OF REAL TERM INCREASE IN FUTURE CANDIAN DEFENSE SPENDING AS RESULT OF NEW 5-YEAR DEFENSE FINANCING FORMULA. IN RESPONSE TO QUESTINS FROM UK, NETHERLANDS AND US REPS, CANADIAN REP STATED THAT IF ACTUAL

RATE OF DOMESTIC INFLATION BECOMES SUBSTANTIALLY GREATER THAN PLANNED 5.5 PERCENT, CANDIAN DEFENSE MINISTER RETAINS RIGHT TO REQUEST ADDITIONAL DEFENSE MONIES. CANDIAN REP POINTED OUT THAT GOC REQUEST FOR, AND APPROVAL OF, SUCH AN INCREASE COULD NOT BE CONSIDERED AUTOMATIC. CONVERSELY, CANADIAN REP STATED THAT A FUTURE INFLATION RATE LESS THAN PLANNED 5.5 PERCENT WOULD NOT REPEAT NOT RESULTE IN AUTOMATIC DEFENSE SPENDING REDUCTION. CANDIAN REP CONCLUDED DISCUSSION BY DESCRIBING INTENT OF NEW 5-YEAR DEFENSE FINANCING FORMULA AS THE MAINTENANCE OF PRESENT LEVEL OF CANADIAN DEFENSE FORCES AND THE ACHIEVEMENT OF QUALITATIVE IMPROVEMENTS.

2. DEFENSE IMPROVEMENTS.

A. ARMY. CHAIRMAN STATED THAT CANADIAN ARMY IS MEETING 1973 NATO COMMITMENT BUT IS SHORT OF NATO FORCE GOALS 1973-1978. SHORTFALLS INCLUDE GOALS TO INCREASE THE NUMBER OF INFANTRY BATTALIONS IN FRG, TO EARMARK ONE DUAL-BASED AIR TRASPORTABLE BATTALION TO THE ACE MOBILE FORCE AND TO PROVIDE HELICOPTERS WITH ANTI-ARMOR CAPABILITY. IN RESPONSE TO QUESTIONS FROM CHAIRMAN AND MC REP, CANADIAN REP STATED THAT CANADIAN TREASURY BOARD HAD NOT YET APPROVED PURCHASE OF TOW AT SYSTEM. CANADIAN REP ALSO STATED THAT IT IS PREMATURE TO ASSUME RECENTLY INITIATED NATIONAL STUDY OF CANDIAN LAND FORCES IN EUROPE (TO BE COMPLETED IN AUGUST 74) WILL RESULT IN RECOMMENDATION FOR MODERN TANK SUCCESSOR TO CENTURION.

B. NAVY. CHAIRMAN STATED THAT CANADIAN NAVY IS MEETING 1973 NATO COMMITMENT EXCEPT FOR REDUCTION IN READINESS AND AVAILABILITY OF ONE DESTROYER. SHORTFALLS FOR NATO FORCE GOALS 1973-1978 INCLUDE 4 DESTROYERS FROM 1974 ONWARDS AND POSSIBLY ONE SUBMARINE (DEPENDENT UPON GOC DECISION TO TRANSFER 1 SUBMARINE FROM SACLANT TO WEST COAST TRAINING STATUS). CHAIRMAN POINTED OUT THAT 4 DESTROYERS BEING DISPOSED OF ARE MORE MODERN THAN SOME CURRENTLY IN OTHER NATO NAVIES. IN RESPONSE TO QUESTION FROM UK REP, CANADIAN REP SAID NO REPLACEMENT FOR ARGUS MPA HAD BEEN SELECTED. GOC IS CURRENTLY SELECTING COMPETITORS

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FOR CONTRACT DEFINITION.

C. AIR FORCE. CHAIRMAN STATED THAT CANADA MEETS 1973 COMMITMENT FOR AIRM FORCES IN EUROPE. SHORTFALLS FOR 1973-1978 FORCE GOALS INCLUDE 20 CF-5 AIRCRAFT, MODIFICATION/REPLACEMENT OF 54 AIRCRAFT TO PROVIDE NIGHT/ADVERSE WEATHER CAPABILITY, 2 LOW-ALTITUDE SAM BATTERIES AND CONVERSION OF ONE AIRCRAFT ATTACK SQUADRON TO A RECCE ROLE FROM 1976 ONWARDS. CANDIAN REP STATED GOC HAD NO INTENTION OF NATIONALLY FUNDING REMAING 30 PERCENT AIRCRAFT SHELTERS UNLESS ADDITIONAL DATA FORTHCOMING IN SUPPORT THEREOF.

D. WAR RESERVES. CANADIAN REP SAID LACK OF WAR RESERVES

DATA IN DPQ RESPONSE IS RESULT OF CURRENT TRANSITION TO NEW  
INTEGRATED SUPPLY SYSTEM. CANDIAN REP ASSURED DRC THAT 30-DAY  
RESERVES FOR CANADIAN FORCES IN EUROPE DO EXIST. RUMSFELD

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